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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

Arizona Corporation Commission

DOCKETED

JUN - 5 2009

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IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR APPROVAL OF A
PROPOSED DEMAND-SIDE
MANAGEMENT TARGETED BASELINE
STUDY

DOCKET NO. E-01933A-09-0128

DECISION NO. 71109ORDER

Open Meeting
May 27 and 28, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP" or "the Company") is engaged in providing electric power within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. On March 17, 2009, TEP filed an application for approval of its proposed demand-side management ("DSM") targeted baseline study ("Baseline Study"), and to recover the cost of the Baseline Study through the Company's DSM Surcharge, or adjustor rate.

3. The purpose of the Baseline Study is: (i) to evaluate existing energy efficiency, or DSM¹ programs; (ii) to identify new energy efficiency, or DSM, program opportunities; and (ii) to

¹ DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand ("kW") and/or to reduce energy consumption ("kWh" or "therms") in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

1 provide Arizona-based estimates on costs and savings, so that programs can be accurately screened
2 for cost-effectiveness.

3 4. The Company has identified four primary areas of research: (i) Baseline Efficiency
4 Characteristics, Market Availability and Customer Penetration Rates; (ii) DSM Measure
5 Incremental Costs; (iii) Baseline Profiles of Key Customer Market Segments; and (iv) Market
6 Assessment Review of Key DSM Sectors.

7 5. To limit costs and enhance efficiency, UniSource Energy Corporation, the parent
8 company of TEP, UNS Gas and UNS Electric, requested an estimate from an existing DSM
9 contractor² for a study encompassing all three companies. The resulting estimate was based on
10 performing the Baseline Study for all three companies at once, to take advantage of combined
11 travel, training and on-site analysis. Performing a study on only one or two companies would be
12 less economically efficient and would result in increased per-company costs. UniSource has asked
13 that the Baseline Study funding be approved for all three companies, so that the economic benefit
14 of doing a combined study is preserved.

15 6. The total estimate for a Baseline Study covering TEP, UNS Gas and UNS Electric
16 is \$590,550; \$293,324 of this amount is associated with the TEP component of the DSM Targeted
17 Baseline Study. The \$293,324 estimate is based on the number of hours it would take to complete
18 the baseline study in TEP's territory.

19 7. The increased cost, per kWh, of the Baseline Study for TEP would be \$0.000031,
20 resulting in an approximately 3.5 cent per month increase on a typical summer bill and a two cent
21 increase on a typical winter bill, if the entire cost of the Baseline Study were recovered in a single
22 year.³

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25 ² The Company states that Summit Blue was selected to perform the Baseline Study because they are already
26 performing Measurement, Analysis and Research on the UniSource DSM programs and are familiar with the existing
DSM portfolios for TEP, UNS Gas and UNS Electric.

27 ³However, the Company is initially proposing to recover only \$57,585 (20%) of the cost of the Baseline Study for
28 TEP; this would result in increases of less than a cent on both typical summer and winter bills during the 2009-2010
program year, and an increase to approximately three cents in summer and two cents in winter in the following year.

8. Staff has recommended that the Commission approve cost recovery for the TEP component of the DSM Targeted Baseline Study. The proposed study will: (i) provide a basis for evaluating and enhancing the Company's energy efficiency programs; (ii) assist in identifying new efficiency programs or measures; and (iii) provide a standard against which to measure the progress of the Company's DSM programs in meeting energy efficiency goals.

9. To limit costs, Staff has recommended that recovery for the TEP component of the Baseline Study be capped at \$294,000.

10. Staff has recommended that the DSM Targeted Baseline Study (encompassing TEP, UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.

CONCLUSIONS OF LAW

1. TEP is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over TEP and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 12, 2009, and concludes that it is in the public interest to approve cost recovery for TEP's component of the Demand-Side Management Targeted Baseline Study.

ORDER

IT IS THEREFORE ORDERED that the application for cost recovery for the Tucson Electric Power Company component of the Demand-Side Management Targeted Baseline Study be, and hereby is, approved.

IT IS FURTHER ORDERED that cost recovery for the Tucson Electric Power Company component of the Baseline Study be capped at \$294,000.

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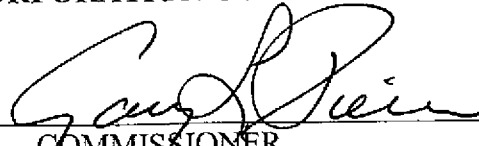
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1 IT IS FURTHER ORDERED that the completed DSM Targeted Baseline Study
2 (encompassing, Tucson Electric Power Company, UNS Gas, Inc. and UNS Electric, Inc.) be filed
3 with the Utilities Division once it is completed.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 CHAIRMAN


COMMISSIONER

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11 COMMISSIONER


COMMISSIONER


COMMISSIONER

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13 IN WITNESS WHEREOF, I, Michael P. Kearns, Interim
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto, set my hand and caused the official seal of
16 this Commission to be affixed at the Capitol, in the City of
17 Phoenix, this 5TH day of JUNE, 2009.

18 
19 MICHAEL P. KEARNS
20 INTERIM EXECUTIVE DIRECTOR

21 DISSENT: _____

22 DISSENT: _____

23 EGJ:JMK:lm\NS
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2 DOCKET NO. E-01933A-09-0128

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